# NOTE 19 - DEFINED CONTRIBUTION PLAN - MCDA

#### **Plan Description**

Qualified MCDA employees belong to a defined contribution pension plan administered by Union Central Life Insurance Company. A permanent employee becomes a participant in the plan on April 1 or October 1, following completion of his or her probationary period and after attaining age 20 1/2.

Benefits and contribution requirements are established and can be amended by the MCDA's board of commissioners. All provisions are within limitations established by Minnesota Statutes.

The payroll for employees covered by the MCDA's defined contribution plan for the year ended December 31, 2002, was \$7,631 and the MCDA's total payroll was \$8,309.

### **Contributions Required and Made**

The MCDA and its employee participants are each required to contribute five percent of the participants' annual compensation to an investment fund administered by Union Central Life Insurance Company, which will provide retirement benefits under a Money Purchase Plan. Participants are vested at the rate of 20 percent per year, for the employer's share of the contribution, and are 100 percent vested immediately for their individual contribution.

The MCDA and its employee participants each contributed \$382 to the plan during the year, which amount represented five percent of the covered payroll.

#### **NOTE 20 - POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in the Notes to the Financial Statements, the City provides post retirement health care premium offset, in accordance with Council Action, for Police and Fire Relief Association retirees. The City reimburses each pension organization the difference between the full premium and the amount withheld for health care coverage from retiree pension checks. Each year the Council appropriates \$100 for this post employment benefit.

### NOTE 21 - VACATION, SEVERANCE, SICK AND COMPENSATORY TIME PAY

Depending on the terms of their collective bargaining contract, or the policies applicable to their classification, employees may accumulate up to 35 days vacation.

Sick leave may be accumulated indefinitely by employees. Also, employees have the option of being paid once a year for current unused sick leave accumulated over a minimum base of 60 days or, under certain circumstances, MCDA employees may be allowed to have unused sick leave converted to vacation and added to their vacation balance. Payments are based on a sliding scale ranging from 50 percent to 100 hundred percent depending on the base level attained. In addition, under certain circumstances, employees leaving City employment may qualify to receive payment for 50 percent of their unused sick leave at their current rate of pay.

Employees, depending on their classification, and subject to prior approval of their supervisor, may earn compensatory time in lieu of paid overtime. Policies are in effect which are designed to place constraints on the amount of compensatory time an employee may accumulate.

## **NOTE 22 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured for workers' compensation, small claims liability, and re-employment. The workers' compensation program included the BET, the MBC, and all City departments.

2001

## NOTE 22 - RISK MANAGEMENT (continued)

The Library Board, the MCDA, and the Park Board maintained their own workers' compensation programs. The City, the MBC and the BET are self-insured for tort liability. The MCDA, the Library Board, and the Park Board maintained their separate liability programs. The City, including all discrete and blended component units of government, also maintained a self-funded dental plan for covered employees. The claims liability of \$26,715 reported in the Self-Insurance Internal Service Fund at December 31, 2002, is based on the requirements of GASB Statement No. 10-Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, and covers the exposures of workers' compensation, liability, dental and re-employment.

The City purchased excess insurance for its workers' compensation program from the Workers' Compensation Reinsurance Association (WCRA). The WCRA reimburses members for individual claim losses exceeding the City's retention limit. Workers' compensation coverage is governed by State of Minnesota statutes.

Claims liabilities are reported when it is probable that a loss has occurred and the amount of the loss can reasonably be estimated. Liabilities include an amount for estimated claims administration expenses and an amount for claims that have been incurred but are not reported.

Dental coverage is based on plan design and includes coverage of up to \$750 per person annually. Based on an actuarial review of the dental plan, it has been determined that the premium rates are sufficient.

There were no significant changes in coverage during fiscal year 2002 and settlements did not exceed coverage.

Changes in the tort claims liabilities during fiscal 2001 and 2002 were:

	2002	2001
Liability balance – January 1	\$ 25,543	\$ 29,582
Current year claims and changes in estimates	13,428	11,587
Claim payments	(12,256)	(15,626)
Liability balance – December 31	\$ <u>26,715</u>	\$ 25,543

2002

## **NOTE 23 – RELATED PARTY TRANSACTIONS**

#### Theatre Live! Inc.

Theatre Live! Inc., is a promotion company affiliated with the Historic Theatre Group, Inc. (HTG). The HTG's principals have two seats on the 15-member board.

Productions promoted at the Theatres in 2002 by Theatre Live! Inc.	91
Use fees paid to the Theatre Opening Account for these productions	\$363,410
Advances of ticket sales to Theatre Live! Inc. at December 31, 2002	\$294,856

Theatre Live! Inc., use fees paid to the Theatres equal 31 percent of the \$1,178,859 total use fees collected by the Theatres in 2002.

### For the fiscal year ended December 31, 2002

(Dollar Amounts Expressed in Thousands)

Amounts received or receivable from grantors, principally the Federal and State governments, are subject to regulatory requirements and adjustments by the grantor agencies. Any disallowed claims, including amounts previously recognized by the City as revenue, would constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time. City officials expect such amounts, if any, to be immaterial.

Various cases and claims are pending against the City involving claims for money damages. Except as follows, these pending cases are not unusual in number and amount.

The City of Minneapolis and the MCDA are defendants in a case involving condemnation of properties. The district court entered a judgment against the City and MCDA for inverse condemnation. The City and MCDA appealed to the Minnesota Court of Appeals, which reversed the decision. Plaintiffs have petitioned the Minnesota Supreme Court to review the matter, and the petition was granted. A decision on the case has not yet been issued.

The MCDA is involved in a trespass case over easements to property. The district court previously awarded damages to the plaintiff, and the MCDA deposited that sum with the court as security. The court has also ruled that the plaintiff is entitled to attorney's fees. The MCDA has appealed to the Minnesota Court of Appeals and is awaiting a decision.

A claim was brought against the City of Minneapolis and State of Minnesota for construction delays. Settlement of the dispute is expected in 2003.